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The DEMAND and PRICE SITUATION

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AMS

Approved by the Outlook and Situation Board, December 16, 1960

SUMMARY

Prices received by farmers rose 3 percent from August to November, although in recent years farm product prices have declined during the heavy fall marketing period. The index, at 241 (1910-14=100), was 4 percent above November 1959. Egg prices in November were up a third from August and 45 percent above a year ago, reflecting reduced egg output. In addition, seasonal increases in prices of vegetables and dairy products contributed to the rise. Hog prices have held up better than usual this fall with prices exceeding their summertime peak for the first time since 1947. Partially offsetting was a big drop in feed grain prices, which in November reached the lowest level since 1942-43.

Prices paid by farmers, including interest, taxes and farm wage rates dipped a point since August, and were about the same as last year. With prices received up more than prices paid, the parity ratio rose from 79 in August to 81 in October and November, as compared with 78 in November 1959.

Although farm product prices so far in 1960 have averaged a little below the first 11 months of 1959, cash receipts from marketings were about 1 percent above a year earlier. Lower prices, particularly for cattle and calves, resulted in cash receipts for livestock and products of $17.3 billion, slightly below the first 11 months of 1959. Crop receipts of $13.2 billion were 4 percent above a year ago due to an increase in marketings from this year's record crops. Crop production in 1960 was at an all-time high. The production index for all crops reached a record 122 percent of the 1947-49 average, compared to the previous record of 118 in 1958.

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AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1959		1960			
		Year	Nov.	Aug.	Sept.	Oct.	Nov.
Industrial production, seasonally adj. 1/	1947-49=100	159	156	165	162	162	159
All manufactures	do.	158	154	163	161	160	157
Durable goods	do.	165	156	169	166	165	161
Nondurable goods	do.	155	157	162	159	159	158
Mining	do.	125	125	129	127	126	126
Utilities	do.	268	270	293	295	295	295
Construction:							
Total outlays, seasonally adjusted 2/	Mil. dol.	56,105	4,522	4,621	4,610	4,565	4,611
Public construction	Mil. dol.	16,257	1,220	1,386	1,386	1,368	1,411
Private residential	Mil. dol.	24,469	2,001	1,815	1,810	1,761	1,764
Housing starts 3/*	Thousands	1,517	1,356	1,292	1,066	1,253	1,235
Manufacturers' sales and inventories: 2/							
Total sales, seasonally adjusted	Mil. dol.	29,758	28,972	30,150	30,070	29,640	
Durable goods	Mil. dol.	15,359	13,479	14,420	14,400	14,140	
Unfilled orders-sales ratio 5/		3.25	3.57	3.10	3.10	3.10	
Inventory-sales ratio 6/		1.73	1.78	1.82	1.82	1.83	
Durable goods		1.96	2.18	2.22	2.21	2.22	
Employment and wages: 7/							
Total civilian employment	Millions	65.6	65.6	68.3	67.8	67.5	67.2
Nonagricultural	do.	59.7	60.0	61.8	61.2	61.2	61.5
Unemployment	do.	3.8	3.7	3.8	3.4	3.6	4.0
Workweek in manufacturing	Hours	40.3	39.9	39.8	39.5	39.6	39.3
Hourly earnings in manufacturing	Dollars	2.22	2.23	2.28	2.30	2.30	2.31
Income and spending:							
Personal income payments 2/ 3/	Bil. dol.	383.3	388.7	408.2	408.8	409.5	409.5
Consumer credit outstanding 1/	Mil. dol.	52,046	50,379	53,928	54,128	54,201	
Automobile	Mil. dol.	16,590	16,669	18,078	18,086	18,055	
Total retail sales, seasonally adj. 2/	Mil. dol.	17,930	17,842	18,190	18,054	18,554	18,551
Durable goods	Mil. dol.	5,962	5,682	5,779	5,762	6,133	6,007
Inventory-sales ratio 6/		1.36	1.36	1.39	1.40	1.36	
Prices:							
Wholesale prices, all commodities 4/	1947-49=100	120	119	119	119	120	
Commodities other than farm and food	do.	128	128	128	128	128	
Farm products	do.	89	85	87	88	89	
Foods processed	do.	107	105	108	108	109	
Consumer price index, all items 4/	1947-49=100	125	126	127	127	127	
Food	do.	118	118	120	120	121	
Prices received by farmers 8/	1910-14=100	240	231	234	237	240	241
Crops	do.	221	217	218	222	220	218
Livestock and products	do.	256	243	247	251	258	261
Prices paid, interest, taxes and wage rates 8/	1910-14=100	298	296	298	298	297	297
Family living items	do.	289	291	290	290	290	291
Production items	do.	266	264	262	263	262	262
Parity ratio 8/		81	78	79	80	81	81
Farm income and marketings: 8/							
Volume of farm marketings	1947-49=100	128	169	143	157	189	171
Cash receipts from farm marketings	Mil. dol.	33,146	3,528	2,991	3,368	4,000	3,600

Annual data for most of these items for years 1929, 1939, 1941 and 1946-59 appear on page 40 of the April 1960 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates. 4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census. 8/ U. S. Department of Agriculture, Agricultural Marketing Service. *Beginning May 1960 the series for housing starts includes farm and private nonfarm units. The nonfarm series has been adjusted for under coverage and different seasonal adjustment factors. Data for the new series are available back to January 1959.

THE DEMAND AND PRICE SITUATION

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Business trends during the fourth quarter showed little change from the previous quarter. Income to consumers rose slightly in November. Personal income, at a rate of $410 billion, was 5 percent above a year ago. Retail sales rose in October and November, with most of the gain associated with improved auto sales. In contrast, trends in the industrial sector were down. Manufacturers' new business dipped in October from August and September levels. Production also moved lower and businessmen continued to liquidate inventories. The liquidation of $400 million in October compared with that of $100 million in each of the preceding three months. Capital spending plans by business apparently were reduced recently. The rate of spending of $35.9 billion in the third quarter is expected to show a drop to a $35.6 billion rate in the fourth quarter. A further decline to a $34.9 billion rate in the first quarter of 1961 is in prospect, according to a recent survey conducted by the Securities and Exchange Commission and the Department of Commerce. Employment has declined in recent months, and unemployment in November, at 6.3 percent of the civilian labor force, was about the same as in October, and compared with 5.9 percent a year ago. Wholesale industrial prices have been steady in recent months. Retail prices of services and food rose and were only partly offset by declines in prices of consumer durable goods.

Commodity Highlights

Market supplies of cattle this winter will be a little larger than last, with most of the increase provided by grass cattle. Cattle prices this winter will likely continue close to recent prices which in early December were a little below a year ago. Hog prices, which have held up better than usual this fall, are expected to be above a year earlier this winter and may fluctuate within relatively narrow limits.

Milk production in 1960 will be about 125.5 billion pounds, up from the 124.4 billion produced in 1959. Conditions for producing milk in 1961 will be favorable, barring drought, and output is likely to exceed the record of 125.9 billion pounds set in 1957.

Production of eggs in late 1960 was below a year ago, and prices to farmers in mid-November averaged 14 cents above a year ago.

Soybean prices to farmers during harvest averaged $1.95 per bushel, 10 cents above support price, reflecting a strong export and crusher demand, and large withholdings by farmers.

Feed grain prices this fall dropped to the lowest level since 1942-43, as farmers harvested the record corn crop. The hog-corn price ratio in mid-November was near record high and poultry and egg prices were much higher in relation to feed costs than a year ago.

Delayed maturity of the 1960-61 orange crop and loss of early ripening fruit in Florida reduced market supplies for both fresh and processing use. Prices of oranges in early December were well above a year ago and probably will stay above year-ago levels this winter.

Supplies of fresh vegetables for this winter may be a little smaller than last, but at least moderately more frozen vegetables are available than a year ago. Prices of fresh vegetables may be somewhat below last winter, but those of processed items moderately higher.

Slightly more potatoes will be available this winter than last; the fall crop was up moderately from a year ago, and early reports indicate a bigger winter crop in California and Florida.

The 1960 cotton crop as of December 1 was estimated at 14.3 million running bales compared to 14.6 million in 1959. The supply of cotton this marketing year is estimated at 22.1 million bales, 1.5 million below last year. Prospective utilization indicates a carryover next August 1 around 7.1 million bales, the smallest since 1953.

Burley tobacco auction markets opened November 28 and by mid-December the volume marketed was 338 million pounds, averaging 65.7 cents a pound. This was over 4 cents higher than the average for the comparable period last season.

GENERAL BUSINESS ACTIVITY

Business trends during the fourth quarter showed little change from the preceding period. The flow of income to consumers held steady, with some pickup in retail sales from July-September rates, but, in the industrial sector, sales and new orders were weak and inventory liquidation continued. Production of durable goods, other than autos, continued to decline. Construction

outlays apparently have leveled out in recent months, with prospects for moderate increases next year, according to Department of Commerce estimates. The seasonally adjusted rate of unemployment was 6.3 percent of the civilian labor force in November, about the same as in October, and compared with 5.9 percent in November 1959.

Personal income in October and November was at an annual rate of $409.5 billion, 5 percent above a year ago. In recent months, wage and salary disbursements have eased as a drop in manufacturing was partially offset by higher payments to employees of Government and service and distributive trades. Wage rates have continued to rise, offsetting the effects of moderate declines in employment. Transfer payments (Government social security, unemployment compensation, etc.) increased by about $1 billion since July, mostly reflecting the rise in unemployment. Proprietors' income, both business and professional, and farm, rental, and dividend incomes have held steady in recent months.

Retail Sales Firm Up

In November, retail sales, seasonally adjusted, were $18.6 billion, 3 percent above September and 4 percent above a year ago.

Durable goods sales, at $6.0 billion in November, were 4 percent above September, mostly reflecting a sharp rise in sales of new automobiles. Auto dealers' sales in November, at about 529,000 units, equaled the record for the month set in November 1955. In the first 10 months of 1960, dealer-sales of new domestic automobiles were at a seasonally adjusted annual rate of 6.1 million units, 7 percent above a year earlier. After adding imports, the rate was 6.6 million units sold, second only to the 7.4 million sold in calendar year 1955. List prices of new automobiles have been unchanged for the second successive year. Since March 1960, however, discounts have been greater than last year, resulting in prices to consumers for low-price standard-makes below a year earlier. Another factor contributing to the lower average price consumers paid for their cars is the growing proportion of lighter, smaller, and generally less expensive types of cars purchased in 1960 than in previous years.

Appliance Sales Weak

Retail sales of appliance and furniture were running about 5 percent below a year ago in recent months. Part of the decline in value of sales reflects somewhat lower prices, as manufacturers and dealers made price concessions to move heavy stocks, which at the end of October were $30 million above a year ago. The retail stock-sales ratio, at 2.30, was well above the 2.15 a year ago but below the August 1960 high of 2.40. Production since last spring has been running below a year ago for most major appliances. Household furniture production has exceeded year earlier levels throughout 1960 (see table 2).

Table 1.--Personal income and retail sales, November 1959 and July, August, September, October, and November 1960, seasonally adjusted annual rates

Item	1959	1960				
	Nov.	July	Aug.	Sept.	Oct.	Nov.
	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.
Personal income, total	388.7	407.3	408.2	408.8	409.5	409.5
Wage and salary payments, total	260.8	275.1	275.1	275.0	274.8	274.4
Manufacturing	84.5	88.7	87.7	87.5	87.2	86.5
Other	176.3	186.4	187.4	187.5	187.6	187.9
Transfer payments	28.2	28.7	29.1	29.7	30.0	30.4
Interest	24.5	27.1	27.4	27.5	27.6	27.6
Dividends	13.8	13.9	14.0	14.0	14.1	14.1
Proprietors' income:						
Business and professional	35.1	36.2	36.1	36.1	36.1	36.0
Farm	11.2	12.0	12.2	12.2	12.4	12.4
Retail sales, total 1/	214.1	217.3	218.3	216.6	222.3	222.6
Durable goods stores, total	68.2	68.2	69.3	69.1	73.6	72.1
Automotive group	35.5	36.1	38.5	38.0	41.3	n.a.
Furniture and appliance group	11.2	10.9	10.5	10.6	10.7	n.a.
Nondurable goods stores, total	145.9	149.0	148.9	147.4	149.1	150.5
Food group	52.7	53.7	54.3	53.3	54.0	n.a.

1/ Annual rate computed by AMS.

n.a. Not available.

Department of Commerce.

Table 2.--Production of major household durable goods, annual percentage change, by quarters, 1959 and 1960

Item	Change from year earlier			
	Jan.-Mar. 1960	Apr.-June 1960	July-Sept. 1960	Oct. 1960
	Percent	Percent	Percent	Percent
Television and radio sets	18.1	8.7	-9.4	-21.1
Cooking stoves	4.7	-5.1	-16.7	-18.0
Electrical ranges and ovens	9.7	-1.4	-20.6	-19.2
Gas ranges and ovens	1.0	-7.8	-14.5	-17.7
Refrigerators	6.2	-3.5	-28.5	-20.5
Home freezers	-4.4	-6.9	-29.1	-13.8
Washing machines	-2.4	-12.5	-25.5	-20.0
Clothes driers	-1.6	-9.4	-11.4	-18.5
Vacuum cleaners	1.9	-6.7	.8	-8.2
Household furniture	5.9	5.2	.6	-2.5

Board of Governors, Federal Reserve System.

Nondurables Pick Up A Little

Sales of nondurable goods after easing since April, recovered some in October and November from the September low. In November, sales were 3 percent above a year ago. Retail sales of the food group were about 6 percent above a year ago, and prices were up about 1 percent. Sales of eating and drinking places, drug stores and service stations were also above a year ago, while those of apparel and general merchandise were about the same.

The Federal Reserve Board's quarterly survey of consumer buying plans indicates some pickup in consumer intentions to buy durable goods. More consumers in October than in the July survey were planning to purchase autos in the next 12 months and television sets in the next six months. However, fewer consumers had plans to purchase washing machines and refrigerators in the next half year. While consumers' buying plans reflect some strengthening in the outlook since mid-year, intentions to buy are not as strong as reported in the year-ago survey, which indicated record buying plans.

Outlook for Higher Construction Activity in 1961

Outlays for new construction in 1961 are expected to reach $57.3 billion, up 4 percent from 1960 and surpassing the 1959 peak of $56.2 billion, according to estimates recently released by the Department of Commerce. Construction

costs are expected to rise somewhat less in 1961 than in 1960, but physical volume, which is currently about 4 percent below a year ago, is expected to be about 2 percent smaller than 1959.

Expenditures for private residential buildings in 1961 are estimated to rise 3 percent from 1960 to $22.6 billion. Outlays for nonhousekeeping units--new motels, hotels, college dormitories--are expected to record another substantial gain in 1961. Outlays for additions and alterations are likely to continue to rise in 1961 but at a slower rate than in the previous year. Outlays for new dwelling units, which dropped 15 percent between 1959 and 1960, are expected to recover moderately in 1961, particularly in the last half. About 1.3 million new private housing starts are anticipated in 1961, up 50,000 from the now indicated 1960 level. The level of starts has declined from 1.6 million units in early 1959 to 1.2 million units in October 1960.

The drop off in housing starts during the past year reflects, in part, a faster growth in the housing supply than in housing occupancy. In the third quarter of 1960 vacancy rates reached a postwar high, with 7.6 percent of total rental units vacant and available for rent, compared with 5.8 percent two years earlier. Vacancies of homeowner units were 1.2 percent in 1960, compared to 1.1 percent in 1958 and 1959. The current high vacancy rates will tend to hold down new starts of single and multi-units next year. Another unfavorable factor is an expected rise in housing construction costs. In October, costs for residences were almost 1 percent above a year earlier.

On the favorable side, easier mortgage financing is likely to stimulate housing activity in 1961. While nominal mortgage interest rates have not changed very much, the easing of credit and some slackening of other long-term demands for funds should provide an ample supply of funds to finance the anticipated volume of new housing in 1961. Loan-price ratios have risen and average maturities have lengthened in the last five years, making mortgage terms easier. In 1960 Federally underwritten loans (FHA and VA) have been close to maximum in relation to the annual incomes of borrowers. There has been some edging downward of interest rates as discounts on FHA-insured and VA-guaranteed home loans have declined from the all-time high rates in the beginning of 1960. The trend toward a lengthening of the period for mortgage amortization is likely to continue in 1961. In addition, the continuing shift of the population to the suburbs and a high rate of family formation will tend to stimulate housing starts.

Private nonresidential building in 1960 exceeded $10 billion, up 14 percent from 1959. Prospects are for a 5 percent rise in 1961. Industrial building outlays rose the most, nearly 40 percent in 1960. In 1961 they are expected to increase another 7 percent, much of the rise associated with carryover of projects from this year.

Public utility construction outlays, which in 1960 exceeded $5 billion, are likely to rise further in 1961. Telephone and telegraph outlays may be cut back slightly next year with electric light and power construction holding about steady. Outlays for new gas facilities are expected to advance rapidly in 1961. Commercial outlays are expected to register another modest rise in

1961, and further gains for religious and private educational, and recreational facilities are likely. A sharp pickup in private hospital building is likely in 1961.

Public construction outlays in 1960, at $16.2 billion, may total a little lower than 1959, but are expected to rise 5 percent in 1961. Highway construction is expected to rise to $6 billion, up $300 million from 1960. Less funds in 1961 will be needed for purchase of rights-of-way, leaving more funds available for construction. Public educational building outlays in 1961 are expected to exceed $3 billion, 8 percent above 1960. Shifts in the population to suburban areas have created acute shortages of classroom space. A recovery in public residential building is expected in 1961, after the sharp drop in early 1960.

Table 3.--New construction outlays 1959, 1960, and outlook for 1961

Type of Construction	Value			Percent change	
	1959	1960 1/	1961 2/	1959-60	1960-61
	Million dollars	Million dollars	Million dollars	Percent	Percent
Total new construction	56,233	55,100	57,300	- 2	4
Private construction	39,892	38,900	40,250	- 2	3
Residential buildings (nonfarm)	24,469	21,950	22,600	-10	3
Nonresidential buildings (nonfarm)	8,859	10,075	10,550	14	5
Industrial	2,106	2,900	3,100	38	7
Commercial	3,930	4,050	4,150	3	2
Other nonresidential buildings	2,823	3,125	3,300	11	6
Farm construction	1,362	1,300	1,300	- 5	0
Public utilities	4,995	5,275	5,500	6	4
Public construction	16,341	16,200	17,050	- 1	5
Highways	6,000	5,700	6,000	- 5	5
Residential buildings	962	725	775	-25	7
Nonresidential buildings	4,514	4,800	5,175	6	8
Educational	2,656	2,875	3,100	8	8

1/ November and December estimated.
2/ Estimated.

Department of Commerce.

Capital Spending Turns Down

Capital spending is expected to decline moderately through the first quarter of 1961, based upon the survey conducted in late October and November by the Securities and Exchange Commission and the Department of Commerce. Businessmen have revised downward their plans in the last half of 1960 with outlays for the year now indicated at $35.7 billion, 10 percent above 1959. New plant and equipment spending in April-June 1960 reached an annual rate of $36.3 billion, in July-September it was $35.9 billion and is expected to show a dip to $35.6 for October-December with a continuation of the downtrend to $34.9 billion in January-March 1961. The estimated fourth quarter 1960 rate is 6 percent above a year ago but the first quarter 1961 rate would be slightly below January-March of this year. Among the industry programs, outlays of manufacturers, are expected to dip from a $14.7 billion rate in the second quarter of 1960 to $14.3 billion in both the fourth quarter of 1960 and the first quarter of 1961. Reduction in outlays in manufacturing are concentrated in durable goods industries, but the petroleum industry has scheduled a reduction in outlays between the fourth quarter of 1960 and the first quarter of 1961. In addition, sharp reductions in outlays are scheduled for railroad and other transportation firms, but public utility and commercial firms are expected to hold their first quarter of 1961 spending at about the same rate as the second quarter of 1960.

Table 4.--Expenditures for new plant and equipment by United States business for 1959-60 and by quarters for 1960-61, seasonally adjusted at annual rates 1/

Item	1959	1960 2/	1960 Jan.-Mar.	1960 Apr.-June	1960 July-Sept.	1960 Oct.-Dec. 2/	1961 Jan.-Mar. 2/
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Manufacturing	12.07	14.45	14.10	14.70	14.65	14.3	14.3
Durable goods industries	5.77	7.20	7.15	7.40	7.35	6.9	7.1
Nondurable goods industries	6.29	7.25	6.95	7.30	7.30	7.4	7.2
Mining	.99	1.01	1.00	1.05	1.00	1.0	1.0
Railroad	.92	1.02	1.00	1.10	1.00	1.0	.7
Transportation other than rail	2.02	1.94	2.00	2.15	1.90	1.8	1.6
Public utilities	5.67	5.74	5.75	5.70	5.60	5.9	5.7
Commercial and other 3/	10.88	11.59	11.35	11.60	11.75	11.7	11.7
Total	32.54	35.74	35.15	36.30	35.90	35.6	34.9

1/ Data exclude expenditures of agricultural business and outlays charged to current account.
2/ Estimates are based on anticipated expenditures reported by business in late October and November 1960.
3/ Includes trade, service, finance, communication and construction.
Note: Details may not add to totals due to rounding.

Securities and Exchange Commission and U. S. Department of Commerce.

Manufacturers' New Business Declines

The volume of manufacturers' new business dropped 4 percent in October to $29.3 billion, a little below sales of $29.6 billion. In October the volume of defense orders declined sharply, erasing much of the gain in August and September. The volume of order backlogs declined further to $46.5 billion. The low level of new orders and sales compared with early 1960 are reflected in inventory liquidation since mid-year. The book value of inventories, $54.3 billion at the end of October, was $2.8 billion above a year ago, but $800 million lower than June. Manufacturers' stock-sales ratios climbed above a year ago in February, and at 1.83 in October compared with 1.75 a year ago. At retail, stocks were up about $750 million, with inventories of automobile dealers and general merchandise stores up the most. Retail stock-sales ratios, at 1.36 in October, were about the same as a year ago.

Industrial Production Eases

Trends in industrial production in recent months reflect the drop in new orders and in order backlogs. Industrial production, which held between 109-111 in the first seven months of 1960, has tended to dip since. The Federal Reserve Board's index was 105 (1957=100) in November, down 2 points from October. There were widespread declines in both durable and nondurable industries with the most important changes in autos and steel. Auto production, which reached 617,000 units in October, declined slightly in November, although dealers' stocks rose to a million units by the end of the month. The index of auto output dipped from 121 (1957=100) in October to 111 in November. A year ago production was crippled by steel shortages. With new orders for steel continuing to lag, production in November averaged about 50 percent of capacity, compared to the 53-54 percent of capacity in the three previous months.

Labor markets also have reflected the recent trends in production and sales. Civilian employment normally contracts in the closing months of the year, but the declines in November were greater than seasonal. Nonfarm employment, seasonally adjusted, at 52.7 million in November, was down 500,000 workers from mid-year. Most of the reduction was in manufacturing, but there were small declines in most private nonmanufacturing, with Government up around 150,000. With employment declining in recent months, unemployment has increased to 4.0 million, and the seasonally adjusted rate of unemployment rose to 6.3 percent, about the same as October, and compared with 5.9 percent a year ago.

Average weekly hours have also reflected production trends, and in October-November averaged 39.2 hours, seasonally adjusted, more than an hour below January. During the same period average hourly earnings rose 2 cents to $2.31 per hour; average weekly earnings for November were a $1.51 below the January peak but $1.80 above a year ago.

No Sharp Price Changes

Prices at retail have moved up this fall. The AMS index of prices paid by farmers for family living in mid-November equaled the record high of 291

(1910-14=100) first reached in November 1959. Between October and November seasonal increases in food and apparel and higher used car prices moved the index up 1 point. The Bureau of Labor Statistics Consumer Price Index at 127.3 (1947-49=100) in October was about $1\frac{1}{2}$ percent above a year ago. Food prices in October were about 2 percent above a year ago, apparel prices were up $1\frac{1}{2}$ percent, and other nondurable commodities were up $\frac{1}{2}$ percent. Consumer prices of durable goods were $2\frac{1}{2}$ percent below a year ago, reflecting discounting of autos from list prices, sharply lower used car prices, and price cutting among major appliances. The cost of services continued its uptrend and in October it was $2\frac{1}{2}$ percent above a year ago.

The Bureau of Labor Statistics wholesale price index was 119.7 (1947-49=100) in October, a half a percent above a year ago. Industrial prices were fractionally lower while farm product and processed food prices were about 3 percent above a year ago. The index of Prices Received by Farmers averaged 241 (1910-14=100) in mid-November, up a point from October and 4 percent above a year ago. Egg prices rose in November to 45.6 cents a dozen, 45 percent above last year as egg production continued below year ago levels. Meat animal prices were about the same as in October and 5 percent above a year ago. Vegetable prices rose in November, but were 10 percent below a year ago. Feed grain prices dipped, largely because of sharply lower corn prices. Cotton prices were down because the average grade declined.

With prices received up a little and prices paid, including interest, taxes and farm wage rates, about the same, the November parity ratio, at 81 was unchanged from October and up 3 points from a year ago.

RECENT UNITED STATES MONETARY CONDITIONS AND THE BALANCE OF PAYMENTS

During the past three years, the monetary gold stock of the United States declined by about $5 billion to a total of $18 billion as of early December. An outflow of gold initially reduces the supply of reserves of Federal Reserve member banks. However, an increase of Federal Reserve credit or Treasury currency (United States notes, silver certificates, silver dollars, and some other currency items) can offset reductions in the monetary gold stock.

Gold flows are greatly affected by forces outside Federal Reserve regulation, as are changes in member bank reserve balances brought about by changes in the flow of foreign funds. The Federal Reserve System can offset changes caused by gold or currency movements by using its credit powers. For example, Federal Reserve credit policy directly influences member bank reserves through purchases or sales in the open market of Government securities and by making loans to member banks. In addition, the Federal Reserve may change the amount of reserves that member banks are required to hold against deposits, and it can vary the discount rate (the cost to member banks of borrowing from the Federal Reserve) in order to restrain or encourage monetary expansion. The actions taken depend mostly on domestic economic conditions.

Table 5.--Federal Reserve Member Bank Reserves, Reserve Bank Credit, and Related Items, specified periods, 1957-1960 1/

Item	Dec. 1958	Dec. 1959	Change					
			Dec. 1957-June 1958	June 1958-Dec. 1958	Dec. 1958-June 1959	June 1959-Dec. 1959	Dec. 1959-June 1960	June 1960-Nov. 30, 1960
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
Factors accounting for supply of reserves:								
Monetary gold stock	20,563	19,482	-1,279	- 927	- 533	- 548	- 139	-1,386
Federal Reserve credit outstanding 2/	28,412	29,435	- 335	2,561	-475	1,498	-1,684	1,275
U. S. Government securities	26,312	27,036	767	1,563	- 349	1,073	- 912	1,499
Discounts and advances	564	911	- 574	422	374	-27	- 486	- 304
Treasury currency outstanding	5,230	5,311	59	27	48	33	42	39
Total 3/	54,204	54,228	-1,555	1,661	- 960	983	-1,781	-73
Factors accounting for use of reserves:								
Currency in circulation	32,371	32,775	- 893	1,332	- 558	962	- 849	712
Treasury cash holdings	691	396	- 67	- 10	- 59	- 236	18	2
Nonmember bank, foreign and other accounts at Federal Reserve	2,243	2,428	226	38	107	78	- 322	74
Total 3/	35,305	35,599	- 734	1,360	- 510	804	-1,153	788
Member bank reserve balances 4/	18,899	18,628	- 820	299	- 448	177	- 627	- 860
Excess Reserves	516	482	49	- 110	- 108	74	- 16	644
Free Reserves	- 41	- 424	617	- 525	- 472	89	465	956
Total 3/	54,205	54,228	-1,555	1,661	- 960	983	- 1,781	-73
Commercial bank loans and investments 5/	188,165	190,270	9,837	5,260	755	4,350	-1,370	6,790
Loans and discounts	98,214	110,832	1,672	2,643	6,236	6,382	4,008	170
U. S. Securities	66,376	58,937	5,925	2,212	-5,516	-1,923	- 4,727	6,170

1/ Average of daily figures, except commercial bank loans and investments which are end of period. November data are for week ending November 30.
2/ Includes Federal Reserve Bank "float" and other sources of credit.

3/ Adjusted for rounding.
4/ With Federal Reserves Banks, excludes reserves allowable in cash.
5/ Includes other securities.

Board of Governors of the Federal Reserve System.

Monetary Conditions

In the fall of 1957, as recessionary forces strengthened, the Federal Reserve System adopted a policy of credit ease. In addition, because of large scale gold losses, which totaled $1.3 billion during the first half of 1958, extensive open market purchases were made, with complementary action taken to reduce member bank reserve requirements. In addition, the discount rate was reduced from 3½ percent in August 1957 to 1-3/4 percent by May 1958. The effect of these actions was to increase steadily member bank free reserves which approached a half a billion dollars in June 1958. A major portion of the record increase in commercial bank loans and investments of $15 billion in 1958 occurred in the first 6 months. Although loan demand was moderate, easy Federal Reserve Credit policies led to a substantial increase in commercial bank purchases of securities.

Credit policies began to shift in the closing months of 1958 as the recovery from the 1957-58 recession picked up momentum. During the first half of 1959 the Federal Reserve limited the volume of bank reserves by selling securities in the open market and by raising discount rates, against a continued gold outflow of about $0.5 billion. With strong credit demands, member bank borrowings exceeded excess reserves by a half a billion dollars in June 1959, reflecting a tightness in the money market. Interest rates rose in 1959, and at the end of the year were substantially above the previous postwar peak in 1957.

As the economy leveled out in the spring of 1960 the demand for funds dropped sharply, due mostly to a shift from a Federal Government deficit to surplus. In this period, gold sales were nominal. Federal Reserve open market operations also supplied reserves to member banks in the first half of 1960. The Federal Reserve reduced the discount rate from 4 to 3½ percent in June followed by a further reduction in August and early September to 3 percent. In addition, action was taken to reduce stock margin requirements and member bank reserve requirements were liberalized by allowing increased use of vault cash as reserves. Reserve requirements at central reserve city banks were reduced to 17½ percent in September and to 16½ percent on December 1. As a result, the supply of Federal Reserve credit rose $1.3 billion from June to the end of November and free reserves rose to almost $1 billion at the end of November.

The Balance of Payments

The large gold sales in recent months, accompanied by a continued rise in foreign liquid dollar assets, reflects a sharp increase in the balance of payments deficit. Throughout most of the postwar period, the United States maintained a large trade surplus with the rest of the world.

The vast outpourings of economic aid from the United States were designed to meet foreign import needs and later to help rebuild foreign exchange reserves. Moreover, military aid and military expenditures abroad reduced the burden on foreign nations of rearmament and defense, and released foreign resources for the reconstruction and expansion of their economies.

Up to 1950, despite massive U.S. economic aid, gold and liquid dollar assets held by foreigners declined by an average of a little over $1 billion per year. In the years since 1950, however, the United States has spent and invested abroad more than foreigners spent and invested in this country. The net "loss" of gold and dollars, that is the balance of payments deficit of the United States in the 8 years ending in 1957, totaled $10.3 billion, or an average of $1.3 billion per year. Of this total, $1.7 billion represented gold sales. Foreign gold reserves also were bolstered by about $4 billion of newly mined gold and other net acquisitions from hoards or from the Soviet Union. During the past 3 years, however, the United States balance of payments deficit averaged more than $3.5 billion per year.

By 1958 the United States was faced with active competition in its domestic and foreign markets, with most major currencies becoming fully convertible by the end of the year. The three successive large deficits in the U. S. balance of payments have also resulted from different rates of industrial activity here and abroad. A high level of economic activity in one country compared with other countries generally increases imports and reduces exports and is accompanied by a strong demand for capital with rising yields. The full impact on the U. S. balance of payments of these varying rates of activity was not evident during most of the postwar period because the export potential of foreign industrial countries had not fully recovered and their foreign exchange reserves were not considered adequate to allow full freedom in capital transactions.

Table 6.--Industrial Production; United States, European Economic Community, United Kingdom and Japan, selected periods, 1957-60 1/

Year and quarter	United States	E. E. C. 2/	United Kingdom	Japan
	(1952-56 average=100)			
1957, IV	105	128	108	154
1958, II	98	129	108	154
1958, IV	108	131	108	165
1959, II	119	136	112	187
1959, IV	115	146	120	213
1960, II	120	153	124	239

1/ Seasonally adjusted annual rates, except Japan. For Japan, index refers only to manufacturing production.

2/ The European Economic Community includes Germany, France, Italy, Belgium, Luxembourg and the Netherlands.

O. E. E. C. and International Monetary Fund

In each of the past 3 years U. S. merchandise exports exceeded imports by about $1 billion to $4 billion. In this period, also, U. S. private investment income transferred from abroad exceeded the outflow of new private foreign investment capital. However, other service-transactions which had yielded net receipts during 1952-56, were about in balance in 1958 and produced a deficit thereafter. The change was due primarily to a continued rise in U. S. payments for foreign travel. Altogether, private expenditures and receipts--including transactions financed by the Government--yielded a surplus that averaged less than $2 billion compared with an average of $3.2 billion during 1952-56. Accompanying this decline in net receipts of the private sector was an increase in U. S. Government economic aid grants, loans, credits, and military expenditures abroad. These averaged about $6.3 billion during the past three years, an amount only slightly offset by repayments and net receipts on government service transactions. During 1952-56 foreign aid and military expenditures had averaged $5.2 billion. The increase in U. S. foreign aid largely reflected disbursements and holdings of foreign currency received from the sale of agricultural commodities.

Table 7 compares the international transactions of the United States in the past 3 years with 1952-56, years not greatly affected by the Korean and Suez crises. In the recession year of 1958, merchandise exports exceeded imports by more than during 1952-56, although both were relatively low in relation to GNP. The increase in the balance of payments deficit of $2.1 billion, compared with the 1952-56 average, largely reflected a net outflow of long-term private and public funds. Private long-term investments abroad were higher by $1.3 billion (only partly offset by a rise of $0.5 billion in net income receipts), and a $0.3 billion reduction in long-term foreign investments in this country. Economic aid

rose $0.4 billion (all in the form of grants and loans of foreign currency proceeds from the sale of agricultural surpluses) while military expenditures abroad rose $0.8 billion. All of the increase in the deficit was reflected in increased sales of gold, as it was largely incurred in transactions with countries which traditionally hold the bulk of their reserves in gold.

In 1959 the deficit increased to $3.8 billion, not counting the U. S. subscription to the International Monetary Fund of $1.4 billion, largely due to a reduction in the merchandise trade balance. Imports, at $15.3 billion, were $4 billion above 1952-56 and $2.3 billion above 1958, while exports were $2.2 billion above the 5-year average and slightly below 1958. In relation to GNP, imports were above and exports below the usual relationship that had prevailed during most of the 1950's. Economic activity in the United States was relatively higher than abroad compared with a year earlier; there was also a temporary sharp reduction in U. S. exports of cotton, commercial aircraft and metals, and a temporary sharp rise in imports associated with the steel and copper strikes. With private long-term foreign investment, U. S. grants and loans and military expenditures $1.9 billion above 1952-56, an even larger deficit was avoided by the $0.5 billion increase in net private investment income and increases of $0.4 billion each in net receipts from repayments of government loans and unrecorded transactions. The inflow of funds, recorded and unrecorded, was also reflected in the settlement of the U. S. deficits: Gold sales totaled only $0.7 billion, which were equaled by foreign purchases of long-term U. S. Government securities, while liquid dollar assets rose $2.4 billion.

During 1960 exports were running close to $20 billion with imports about $15 billion. The large trade surplus was more than offset by other transactions, and the balance of payments deficit reached a new high in the third quarter. However, for the year as a whole, the deficit will probably be below the previous 2 years. The sharp rise in the third quarter deficit could be traced to a rapid increase in the outflow of short-term capital and to a decline in foreign investment in the U. S. For the most part, the short-term outflow seems to have consisted of U. S. funds. Higher interest rates abroad; declining yields on short-term investments in the United States; the decline in the stock market which reduced the possibilities for capital gains; and increased liquidity on the part of individuals and corporations in the process of inventory liquidation, all acted to bring about an outflow of capital. In addition, European banks offer interest on call and very short-dated deposits, a practice forbidden by law in this country. The legal limitation on interest paid on time deposits in the United States also encourages an outflow of funds when interest rates abroad rise. Thus, part of the large balance of payments deficit reflected an increase in U. S. held foreign assets. To the extent that U. S. private dollar balances were converted into foreign currency--predominately sterling and sterling securities--they contributed to a rise in official dollar reserves and to the subsequent conversion of these dollar holdings into gold.

Table 7.--International Transactions of the United States, 1952-56 average and 1958-1960 1/

Item	1952-56 average	1958	1959	1960 2/ Jan.- Mar.	1960 2/ April-June	1960 2/ July-Sept.
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol	Bil. dol.	Bil. dol.
A. Private receipts and expenditures 3/						
Merchandise exports	14.0	16.3	16.2	18.4	19.5	20.0
Merchandise imports	11.3	13.0	15.3	15.2	15.4	14.9
Net receipts from merchandise trade	2.7	3.3	.9	3.2	4.1	5.1
Net receipts on investment income	1.6	2.1	2.2	2.3	2.2	2.3
Net receipts on travel, transportation and other services	.2	4/	- .3	- .4	.6	- .3
Total net receipts on goods and service	4.5	5.4	2.8	5.1	5.7	7.1
Outflow of long-term U. S. capital	1.2	2.5	2.2	} 2.3	} 2.3	} 4.1
Outflow of short-term U. S. capital	.3	.3	.1			
Inflow of long-term foreign capital	.3	4/	.5	.7	.6	4/
Receipts on unrecorded transactions	.4	.4	.8	- .1	- .6	-1.1
Total net payments on above transactions 5/	1.2	3.0	1.5	2.2	3.0	5.8
Total net U. S. receipts on private transactions	3.2	2.4	1.3	2.9	2.7	1.3
B. Government receipts and expenditures 3/						
Net. grants, loans and credits 6/	2.6	3.1	3.0	3.0	3.4	3.0
Receipts from investment income (net) and repayments	.6	.7	1.1	.6	.6	.7
Military expenditures abroad	2.6	3.4	3.1	3.1	2.9	3.2
Total net U. S. payments on government transactions 7/	4.6	5.9	5.1	5.5	5.6	5.4
C. Net U. S. balance of payments (- deficit)	-1.4	-3.5	-3.8	-2.6	-2.8	-4.1
Balanced by:						
Net U. S. sales or purchases (-) of gold 6/	.2	2.3	.7	n.a	n.a	n.a
Increase in foreign holdings of short-term dollar assets 6/	1.1	1.2	2.4	n.a	n.a	n.a
Net foreign purchases of long-term U. S. government securities	.1	4/	.7	n.a	n.a	n.a

1/ Excludes military aid grants and exports financed thereby. Detail may not add to total due to rounding. 2/ Seasonally adjusted annual rates. 3/ Private sector includes transactions financed by the government while government sector includes transactions with private entities. 4/ Less than $50 million. 5/ Includes private remittances averaging $500-600 million annually. 6/ In dollars, foreign currency or in kind. Excludes in 1959 U. S. subscription to IMF of $1,375 million of which $344 million was in gold. 7/ Includes pensions and other transfers and miscellaneous service transactions. n.a. Not available.

U. S. Department of Commerce.

Recently, some countries have taken actions to reduce the inflow of short-term U. S. capital, partly because it was interferring with domestic stabilization programs and partly as an accomodation to the United States. For the latter reasons, or because some weakness had become apparent in their own economy, discount rates have been lowered recently in several major European financial centers. Both short-and long-term yields, however, remain well above those in the United States.

Table 8.--Comparative interest rates, percent per year, selected periods, 1957-1960

Rate and date	United States	Canada	Germany	United Kingdom
	Percent	Percent	Percent	Percent
1. Central Bank discount rates:				
December 31, 1957	3.0	3.87	4.0	7.0
June 30, 1958	1.75	1.97	3.0	5.0
December 31, 1958	2.5	3.74	3.0	4.0
June 30, 1959	3.5	5.36	2.75	4.0
January 31, 1960	4.0	4.85	4.0	5.0
June 30, 1960	3.5	3.32	5.0	6.0
December 10, 1960	3.0	3.28	4.0	5.0
2. Open market rates: 1/				
December 1957	3.10	3.62	4.08	6.43
June 1958	.88	1.72	3.72	4.46
December 1958	2.81	3.49	2.93	3.16
June 1959	3.25	5.15	2.47	3.45
December 1959	4.57	5.12	3.82	3.61
June 1960	2.64	2.87	4.94	4.89
October 1960	2.43	2.64	5.42	5.37
3. Yield on long-term government bonds: 2/				
Calendar year 1957	3.47	4.10	6.64	4.98
Calendar year 1958	3.43	4.22	6.28	4.98
Calendar year 1959	4.07	4.86	5.86	4.82
June 1960	3.99	5.02	6.50	5.55
October 1960	3.91	4.86	3/ 6.60	5.52

1/ Average tender rate for 3 - month Treasury bills, except average daily call money rates in Germany.
2/ Average yields on issues with at least 12 years to maturity.
3/ September. Federal Reserve Board and International Monetary Fund.

Capital Assets and Liabilities of the United States, 1950-59

Table 9 details changes in the international investment position of the United States since 1950. At the end of 1959 such assets totaled nearly $65 billion, and exceeded liabilities by $24.1 billion. While U. S. assets and liabilities both about doubled during the 9 years, the largest growth in U. S. holdings was in direct investments abroad while the major increase in liabilities was in liquid dollar holdings of foreigners. This reflects the predominantly official nature of foreign holdings and reduces the volatility of foreign held dollar balances in response to interest changes. However, privately held dollar balances totaled $7.5 billion as of September 30, 1960, an increase of $4.1 billion since 1950.

Foreign holdings of U. S. corporate securities totaled $11.4 billion at the end of 1959----the same amount as U. S. foreign portfolio holdings. In each year since 1950, with the exception of 1958, foreigners have added to their holdings of U. S. corporate stocks and bonds. But 4/5 of the rise in the value of such holdings was due to capital appreciation. Net purchases by foreigners of U. S. stocks and bonds continued through June, 1960, with some net liquidation thereafter. Due to a drop in security values, net holdings as of September 30 were below December 1959. Moreover, net sales by foreigners of U. S. government bonds and notes during July-September 1960 offset net purchases during the previous six months. Changes in foreign holdings of long-term securities have, however, been minor compared to the growth in liquid dollar holdings.

Table 9.--International Investment Position of the United States
December 1950 and December 1959

Item	Dec. 31, 1950	Dec. 31, 1959	Change
	Bil. dol.	Bil. dol.	Bil. dol.
U. S. Assets and Investments Abroad, Total	32.8	64.8	32.0
A. Private Investments	19.0	44.8	25.8
1. Long-term	17.5	41.2	23.7
Direct	11.8	29.7	17.9
Portfolio	5.7	11.4	5.7
2. Short-term	1.5	3.6	2.1
B. U. S. Gov't claims & credits	13.8	20.0	6.2
1. Long-term	13.5	17.6	4.1
2. Short-term	.3	2.4	2.1
Foreign Assets and Investments in the United States, Total	19.4	40.7	21.3
A. Long-term	7.7	16.7	9.0
1. Direct	3.1	5.2	2.1
2. Portfolio	4.6	11.4	6.8
B. Short-term assets and U. S. Government notes and bonds	11.7	24.0	12.3
1. Liquid dollar assets	8.6	19.4	10.8
2. U. S. Government notes & bonds	3.1	4.6	1.5
Net Creditor Position of the United States	13.4	24.1	10.7
A. On long-term account	20.2	37.5	17.3
B. On short-term account	-6.8	-13.4	-6.6

U. S. Department of Commerce.

Note: The above data are not directly comparable with those presented in the balance of payments as gold transactions are excluded here and assets and liabilities are adjusted for changes in market value of securities as well as changes in the value of the currency of the country in which the investment is located.

FARM INCOME

Cash receipts from marketings totaled a little more than $30.5 billion in the first 11 months of 1960. This was 1 percent more than the same period of 1959, and largely reflected the increased volume of crop marketings this year. Prices during the 11 months averaged a little below a year earlier with crop prices about the same and livestock prices down. Receipts from livestock and products, January-November, totaled $17.3 billion--less than 1 percent below the comparable period of 1959 with most of the net loss attributed to lower prices for cattle and calves. Receipts from crops, at $13.2 billion for the January-November period, were up 4 percent reflecting larger marketings of corn, wheat, tobacco and soybeans, and higher prices received for potatoes.

November 1960 cash receipts are tentatively placed at $3.6 billion, up 3 percent from a year earlier. Receipts from livestock and products are placed at $1.7 billion, up 7 percent from a year earlier, mostly in response to higher prices for hogs and eggs. Crop receipts, $1.9 billion, were virtually unchanged from a year earlier as larger receipts from wheat, rice, peanuts and potatoes about offset smaller receipts from corn.

LIVESTOCK AND MEAT

The livestock industry this fall has featured a reduced level of hog slaughter and relatively favorable prices following the reduction in the number of spring pigs born. Marketings of other meat animals have generally been larger than a year earlier resulting in lower prices than last fall. Total red meat production is currently below a year ago due to the smaller pork output.

Cattle slaughter is expected to remain above a year earlier during the next few months but hog slaughter will continue at a reduced rate. Some seasonal increases in prices of most classes of livestock are likely early next year but the gain will probably not be as large as in early 1960.

Hog prices have held up better this fall than usual as slaughter has lagged sharply behind year-earlier levels. The average price to farmers for hogs in November was $16.60 per 100 pounds, the first time since 1947 that prices this late in the season exceeded summertime peak prices. Slaughter will continue below a year ago during the next few months although the margin will narrow as the 1960 fall pig crop is marketed. Prices are expected to be above a year earlier this winter and may fluctuate within relatively narrow limits. The price of barrows and gilts at 8 markets the week of December 10 averaged $17.30 per 100 pounds, $5.32 above a year earlier.

Market supplies of fed cattle this winter probably will be a little larger than last, but grass cattle will provide much of the expected increase in slaughter. The number of cattle and calves on feed October 1 in 26 feeding States was only 1 percent larger than October 1959. Since then marketings of fed steers and heifers have been down slightly. Feeder cattle sales indicate the number placed on feed since October 1 was probably not much different from last fall. However, the number of stocker and feeder cattle and calves shipped into 8 North Central States in October was up sharply from October 1959. The

number of cattle and calves on feed January 1 will likely be a little larger than last January. This winter cattle prices--including fed cattle--will likely continue close to or a little above current prices.

This year's lamb crop was up 2 percent. Sheep and lamb slaughter since July 1 has been about 10 percent larger than in the same period in 1959. The number of sheep and lambs on feed for winter and early spring market is expected to exceed the relatively low number on feed on January 1, 1960. Hence, fed lamb marketings this winter will likely be above year ago levels, but total receipts may be close to a year earlier. Some seasonal uptrend in lamb prices seems probable this winter.

Total meat consumption this year will be about 161 pounds per person, a pound or so more than last year. This uptrend will continue in 1961 due to larger beef supplies. Most of the prospective 4-pound gain in meat supplies in 1961 will come in the last half of the year.

DAIRY PRODUCTS

Currently, wholesale prices of butter and fluid cream are below a year earlier, while prices of American cheese are the highest in several years. Other items show little change from 1959. Prices to farmers for milk and butterfat averaged a shade higher in 1960 than in the preceding two years. Cash receipts reached a new record high in 1960 because of a larger volume sold. The only immediate effect of the higher support levels, which went into effect September 17, 1960, was to raise the market price of nonfat dry milk since market prices of butter and cheese were already above new support purchase prices. The new support level, however, will keep prices to farmers higher than a year earlier through March 31, 1961. Price support levels, to be announced before April 1, will influence milk and butterfat prices the rest of the year.

Price support purchases of butter were resumed in late November, but only a negligible amount of cheese has been purchased so far this marketing year. Nonfat dry milk deliveries have been about the same as a year earlier.

Going into 1961, milk production will be larger than a year earlier, and for the entire year probably will set a new record. Throughout the first 11 months of 1960, output has been slightly above 1959, and for the year as a whole will be about 125.5 billion pounds. This compares with 124.4 billion in 1959 and represents a recovery of about three-fourths of the decline from the record production of 125.9 billion pounds set in 1957.

Conditions for producing milk, barring drought, will be favorable again in 1961, and the increase in milk output probably will be greater than occurred in 1960. Of the many factors affecting milk production, the main one to vary in recent years has been the price of beef cattle. Since early 1959, the price, seasonally adjusted, has been declining and probably will continue lower relative to milk prices for sometime, thereby tending to bring about more milk output.

Most, if not all, the increase in farm milk production and sales was channeled to manufactured dairy products in 1960. Most of the increase in factory output showed up, not in consumption, but in larger storage stocks, including fluid cream. Consumption of fluid whole milk per person dropped slightly and in the aggregate showed little, if any, increase over 1959. Consumption of manufactured dairy products as a group, like fluid whole milk, showed little aggregate increase, and probably a lower per capita figure. Per capita consumption of all dairy products in terms of milk equivalent dropped to a new record low in 1960 of around 670 pounds, compared with 678 in 1959, 742 in 1947-49, and 802 in 1935-39.

POULTRY AND EGGS

Egg, farm chicken, and turkey prices in November and early December were all higher than in the corresponding months of 1959. Egg production currently is smaller than last year, but broiler production exceeds the year ago level. Turkey supply for the year is also up, although slaughter in November (and probably December also) is below 1959.

Egg production in early 1961 will continue below the year before, and even after seasonal declines farmers' and wholesale prices are likely to remain above the year before. At 45.6 cents per dozen, the mid-November egg price to farmers was the highest of the year to date--14 cents higher than last November--and the highest average price since November 1957. Even a substantial seasonal drop from this peak would leave January-March prices above the 29-32 cent mid-month averages in those months of 1960. Later in 1961, while egg supplies remain seasonally large, it is uncertain if prices will be fully up to the 36-cent average of mid-April, 1960.

The improved prices of recent months have induced an increase in hatchings of chicks for egg production. On December 1, the number of such eggs in incubators was 43 percent above the year before.

The number of broilers produced in 1960 will be about 4 percent above 1959, but prices have been higher than in 1959 during each of the first 11 months. The mid-November price to growers was 15.8 cents per pound, a cent above 1959. In December, however, the broiler price is unlikely to duplicate the 1959 figure of 17.4 cents. Broiler supplies are expected to continue above the year before in the coming months.

The turkey situation also shows some of the features of the broiler picture, with both supplies and prices higher than last year. The number of turkeys raised is up less than one percent from the 82 million turkeys raised in 1959, but on a weight basis there is an increase of perhaps 5 percent. All of the increase occurred in slaughter during the first 10 months of the year, but storage stocks subsequently maintained total supplies above 1959 levels. At 25.8 cents per pound, mid-November prices to farmers were almost a cent above last year. Prices in early December increased slightly, but not enough to bring them to the December 1959 figure of 29.5 cents.

OILSEEDS, FATS AND OILS

Soybean prices to farmers during harvest this year averaged $1.95 per bushel, 10 cents above the support price, and about the same as last year. The price strength primarily reflects strong export and crusher demand for soybeans coupled with large withholdings by farmers.

Prices to farmers are expected to make more than the usual seasonal increase of 15 cents per bushel (1956-59 average) as bean crushers and exporters bid up prices for the reduced supply of soybeans this marketing year. The 1960 season average soybean price is estimated at $2.00 per bushel compared with $1.96 last year.

The 1960-61 supply of soybeans is placed at 582 million bushels, slightly below the record level of the previous two years. Crushings may total 400 million bushels and exports likely will total around 140 million bushels. If seed and feed requirements are about the same as in recent years, carryover stocks of soybeans on October 1, 1961, may be in the neighborhood of 10 million bushels. This would be about the minimum carryover, only about half as much as this year.

Domestic demand for soybean oil is forecast at 3.4 billion pounds, up slightly from the 1959-60 marketing year. The forecast assumes (1) total use of food fats will remain at about 46 pounds (fat content) per person; (2) supplies of lard during 1960-61 will be down sharply; and (3) more cottonseed oil will be used domestically this year than last. On these assumptions, a bean crush of 400 million bushels would produce about 1.0 billion pounds in excess of domestic requirements. This excess is likely to move into export. Soybean oil prices (crude, Decatur) in 1960-61 are expected to average around 15-20 percent higher than a year earlier but meal prices probably will be down 5-10 percent.

Cottonseed production in 1960-61 is placed at 5,921,000 tons, about the same as a year ago. Prices to farmers are expected to average slightly above the $39 per ton they received for the 1959 crop. Cottonseed oil output is expected to total 1,850 million pounds compared with 1,861 million in 1959-60. Cotton oil prices probably will average slightly higher than last year but average meal prices are expected to fall a little below 1959-60.

Exports of edible oils (cottonseed and soybean oils) in 1960-61 probably will set a new record of about 1.5 billion pounds compared with the 1,450 million pounds the previous year. However, more soybean oil, but slightly less cottonseed oil, likely will move abroad during the current marketing year. Exports of these edible oils under Government programs are estimated at 900 million pounds compared with 744 million pounds shipped out in 1959-60, but dollar sales will be down.

Lard output in 1960-61 is currently forecast at 2,600 million pounds, about 5 percent less than last year. Lower output in 1960 is expected to result in higher lard prices, slightly less lard used in the manufacture of shortening and reduced exports.

FEED

Feed grain prices this fall dropped to the lowest level since 1942-43, as farmers harvested the record corn crop. In November the average price received for feed grains dropped 10 percent from the October level and averaged 11 percent lower than in November 1959. The average price of corn dropped to 87 cents per bushel, 11 cents lower than a year earlier and the lowest since December 1942. Prices of oats and barley declined along with corn, while sorghum grain prices held at the October level. Although oat prices are lower than a year ago, they continue high in relation to other feed grains, reflecting relatively small supplies again this year. Wholesale prices of high-protein feed in November averaged 15 percent lower than a year earlier. Soybean meal prices were down 24 percent from a year earlier and near the postwar low reached in the fall of 1957. Prices of feed grains, soybean meal and a number of other feeds advanced from the low November levels in the first half of December.

While feed grain prices are down from a year ago, prices of hogs, poultry, and eggs are higher this fall than last. Most dairy products are up slightly, and prices of cattle are only slightly lower. This gives a very favorable relationship between the prices of livestock and feed. The hog-corn price ratio in mid-November was near record high and poultry and egg prices were much higher in relation to feed costs than a year ago. Relatively low feed prices again this year are expected to result in a continuation of heavy feeding per animal in the 1960-61 feeding year.

The total supply of feed grains and other concentrates for 1960-61, based on the December annual Crop Summary, is estimated at 274 million tons, 5 percent larger than last year and 31 percent above the 1954-58 average. The total 1960 feed grain production was estimated in December at 169 million tons, 3 percent above the record crop last year and nearly a fourth larger than the 1954-58 average. The big crop this year is expected to again exceed total utilization, resulting in a further increase in carryover stocks next year--probably around 10 percent over the 75 million tons carried over into 1960-61. The corn supply for 1960-61 is now estimated at 6,153 million bushels, including a record crop of 4,353 million bushels and a carryover of close to 1,800 million. The record corn crop this year is again more than adequate to meet our total requirements and probably will increase the carryover to around 2 billion bushels on October 1, 1961. A record supply of sorghum grains also is on hand and a further increase in sorghum grain stocks is in prospect for next year, while the carryover of oats and barley probably will hold near the 1960 levels.

WHEAT

Cash wheat prices on December 15 were at or near the high for the season to date, with prices for dominant classes and grades up from the season lows as as follows: At Minneapolis, 10 cents, Portland and Kansas City, around 17 cents, and St. Louis, 28 cents. Prices at terminals on December 15 were generally up 1 to 8 cents from mid-November.

On December 15 the price of No. 1 Soft White at Portland, at $2.11, was 16 cents above the effective support, and that of No. 2 Soft Red at St. Louis, at $2.11, was 8 cents above. The price of No. 1 Dark Northern Spring, ordinary protein, at Minneapolis, at $2.12, was 1 cent above. On the other hand, prices of No. 2 Hard Red Winter at Kansas City, at $2.01, ordinary protein, was 2 cents below the effective loan. However, wheat prices of higher than ordinary protein are bringing a premium over the loan rate. Also, prices at many country points in the Southwest are higher relative to the loan rate than at terminals.

Growers had placed 355.8 million bushels of 1960-crop wheat under the price support program through October 1960. On the same date a year earlier, 262.6 million bushels of the 1959 crop were under support. The figure this year represents 26 percent of the crop, compared with 23 percent of a smaller crop a year ago. Additional quantities will be placed under support through January. Substantial quantities of loan wheat will need to be redeemed, or purchase agreement wheat sold in the market, to cover requirements for domestic use and free-market exports.

Supplies of wheat for the marketing year which began July 1, 1960, total a record 2,685 million bushels, about 11 percent above the previous record a year earlier and about 14 percent above supplies 2 years earlier.

Exports in 1960-61 are estimated at 550 million bushels, compared with 512 million in 1959-60, and domestic disappearance is expected to total about 610 million bushels, slightly higher than in 1959-60. The indicated carryover on July 1, 1961, of about 1,525 million bushels would be an increase of more than 200 million bushels over stocks of this year.

RICE

In the referendum held on December 13, producers approved rice quotas for 1961 by a 91 percent vote, according to preliminary reports. If about the same acreage of rice is harvested in 1961 as the 1,596,000 acres in 1960 and if yields equal the 33.05 cwt. average of the past 3 years, a crop of about 52.7 million cwt. would be produced. This compares with 54.4 million in 1960 and the 1954-58 average of 51.4 million cwt. Domestic disappearance is estimated at 28.3 million cwt., which is the same as estimated for 1960-61. Exports may be projected at about 25 million cwt. Exports in 1959-60 totaled 29.3 million cwt. compared with the 1954-58 average of 21.7 million. On this basis, the carryover of rice may be slightly lower on August 1, 1962.

Price support will be available to cooperators at not less than 70 percent of parity, the statutory minimum. On the basis of the November parity of $5.88, 70 percent would be $4.12 per cwt. The "advance" minimum national average support price will be announced sometime after January 1 on the basis of the parity existing at that time. Growers who exceed their farm acreage allotments will be subject to marketing quota penalties, and none of their production will be eligible for price support.

FRUIT

Early-season prices received by growers for 1960-61 crop citrus fruits have averaged moderately to considerably higher than a year ago because of generally smaller market supplies and continuing strong demand. Movement to both fresh markets and to processors has been retarded as a result of delayed maturity of the new crops and loss of early ripening fruit caused by hurricane Donna in Florida. Although prices have declined, as usual, with increasing movement, prices in early December, especially for oranges, were generally well above a year earlier and through the winter probably will average above last year.

The 1960-61 crops of oranges and lemons are somewhat smaller than the 1959-60 crops, while the grapefruit crop is slightly larger, and the tangerine crop 50 percent larger. Partly as a result of the reduced early-season movement of the new crops, remaining supplies of grapefruit in early December were considerably larger than a year ago; those of oranges slightly larger; but those of lemons smaller. Remaining supplies of tangerines were about twice the year-earlier volume.

Output of various kinds of processed citrus products in Florida also has lagged behind a year ago as a result of the lateness of the current season. The packs of canned citrus juices, to early December, were less than half those of a year earlier. Movement from canners to the trade considerably exceeded current output. As a result, canners' stocks by December 3, 1960, were about half those of a year earlier. The new pack of frozen orange concentrate got underway early in December, in contrast to late November last year. Stocks of frozen concentrate declined, and by December 3, 1960, were 40 percent below a year earlier. Citrus for processing should be in strong demand this season because of the current light stock position of canned and frozen citrus juices.

Among fresh noncitrus fruits, supplies of apples, pears and grapes continue somewhat lighter than a year ago, and those of cranberries heavier. During November and early December, shipping-point prices for some varieties and styles of packs of apples tended to hold steady while prices for others tended to increase. However, prices generally continued substantially higher than a year earlier. Prices for winter pears did not change greatly from week to week. On the principal auctions, prices of pears in early December dipped slightly below a year earlier as a result of increased sales. Cold-storage stocks of apples were moderately smaller on December 1, 1960 than on this date in 1959, and pear stocks were down slightly.

Prices for grapes at shipping points in California tended to increase during November and early December though continuing generally somewhat below a year earlier. Further increases in prices appear probable as marketing shifts completely to sales from storage stocks. On December 1, 1960, cold-storage stocks were slightly heavier than a year earlier.

COMMERCIAL VEGETABLES

Fresh

Supplies of vegetables for fresh market sale may be a little smaller this winter than last, though probably larger than the recent 10-year average. Combined acreage of 13 crops which typically make up about 80 percent of the winter tonnage is slightly below that of a year ago. Among winter crops, prospective production of lettuce is about the same as last winter and broccoli and cauliflower moderately larger. Barring a repeat of the 1960 severe weather damage to tender winter vegetables in Florida, production of sweet corn and tomatoes also is likely to be larger. But indicated production of artichokes, beets, celery and kale is moderately to substantially smaller, and acreage of carrots is down a fifth. Domestic production, as usual, will be supplemented by imports of winter vegetables from Mexico and Cuba. Partly because of the political situation in Cuba probable quantities of winter vegetables available for export from that country to the U. S. are not known. Because of reported weather damage in Mexico that country may have less vegetables available for export than last winter. However, barring severe weather damage in this country, domestic prices of most tender vegetables are expected to be somewhat lower than last winter, and this would lessen somewhat the demand for imports.

Processed

At least moderately more frozen vegetables are available than a year ago. Holdings of green peas are materially smaller than a year ago, and Brussels sprouts and mixed vegetables slightly smaller. But holdings of most other items are up. Stocks of french fried potatoes are also substantially larger than a year ago. However, supplies of canned vegetables appear to be a little smaller than a year ago, though above the recent 10-year average. Among major canned items, supplies of sauerkraut and lima beans appear to be larger than a year ago, and snap beans probably are larger. Combined supplies of tomatoes, tomato juice, and tomato products may also be close to those of a year ago. But supplies of green peas and sweet corn are materially smaller than last season and asparagus moderately smaller.

Demand for processed vegetables in the first part of the current season has been more active than the dull demand of a year earlier. Overall movement has been larger, and f.o.b. prices of most items have averaged moderately above those of last season. With prospects for a continued active demand and higher processing and distribution costs, prices of most processed items are expected to continue above those of a year earlier.

POTATOES AND SWEETPOTATOES

Slightly more potatoes will be available this winter than last. Production of fall crop potatoes was up moderately, and early reports indicate that

the winter crop in California and Florida is likely to be substantially larger than the light crop of last winter. Prices to growers in the West, where production was about the same as in 1959, are likely to average close to those of last winter. Because of larger supplies in the Central and Eastern parts of the country, prices of round white varieties in these areas are likely to average somewhat below those of last winter.

Production of sweetpotatoes, together with unloads data for 38 cities indicate that remaining supplies are substantially smaller than those of a year ago. Prices received by growers in mid-November averaged $4.01 per hundredweight compared with $2.70 a year earlier. With smaller supplies available, prices during the rest of the season are expected to remain well above those of last season.

DRY BEANS AND PEAS

Aggregate supplies of colored classes of beans probably are the same to slightly larger than last season, but less than domestic use and exports in a number of recent years. Aggregate supplies of white classes are large relative to most recent years, though moderately smaller than last year. Total domestic use of beans in the current season may be a little larger than last season, but exports are expected to be below the high level of last year. Because of the Cuban political situation, that country, the most important foreign market for U. S. colored beans, is expected to take substantially less U. S. beans than last season.

Prices of colored classes of beans are expected to remain fairly high, though probably below those of last season. Prices of most white classes probably will average about the same as those of a year ago and above support levels. Because of the heavy supplies, however, prices of pea beans are likely to average near support levels.

Supplies of dry peas are much smaller than a year ago, with sharp cuts in Alaskas and other smooth green kinds and in wrinkled kinds. Allowing for probable domestic use, only about half as many peas are available for export this season as last. While foreign demand probably will be down somewhat from the high level of the 1959-60 season, available supplies are expected to find ready foreign markets. Prices to growers for Alaska and other smooth green types of peas are expected to average materially higher this season than last.

COTTON

As of December 1, 1960 the cotton crop in the United States was estimated at about 14.3 million running bales, compared with about 14.5 million running bales in 1959-60. A decline in crop occurred despite an increase in harvested acreage of about 226,000 acres to approximately 15.3 million acres. Yield per harvested acre is estimated at about 448 pounds compared with 462 pounds in 1959, and a record high of 466 pounds in 1958. Lower yields are estimated for all four of the main geographical regions of the Belt.

The supply of cotton during the 1960-61 marketing year is estimated at about 22.1 million bales, down about 1.5 million bales from a year earlier. With disappearance estimated at about 15 million bales, the carryover on August 1, 1961 probably will be around 7.1 million bales. This will be the smallest carryover since 1953 and compares with 7.6 million bales in 1960 and a record high of 14.5 million bales in 1956. The carryover estimated for 1961 is about 47 percent of estimated disappearance. For the 1959-60 year this percentage was about the same; and for 1958-59, about 77. The disappearance estimate includes exports of about 6.5 million bales and domestic mill consumption of no more than 8.5 million. These figures compare with 7.2 and 9 million bales, respectively, for the 1959-60 marketing year.

The decline in domestic mill consumption is indicated by lower daily rates during the current season than a year earlier, steady rises in the stock-unfilled order ratio of broadwoven goods at mills, and lower fabric values. The seasonally adjusted rate of mill consumption for October 1960 was about 31,400 bales per day. This compares with about 34,500 bales per day the same month a year earlier. The average rate of consumption in the August-October 1960 period was 33,120 bales per working day, compared with 35,487 bales in the same period a year earlier. The ratio of stocks to unfilled orders for broad-woven goods at mills was at a seasonally adjusted figure of 52 percent at the end of October--the highest since October 1958 and the eighth consecutive monthly increase since February 1960. The average value of the amount of fabric made from a pound of cotton (20 constructions) was 61.99 cents in October, 1960. This compares with 64.81 cents in October 1959 and 63.70 cents in September, 1960. The October value was the lowest value since March 1959.

Exports of cotton from August 1 through October 1960 were about 746,000 bales and compare with 720,000 bales during the same period last year. Registrations under the payment-in-kind program for export through December 9 were 4,369,987 bales. These compare with 4,343,018 bales through approximately the same date a year earlier. Actual exports in August-October and registrations through December indicate that exports are running at a high level so far in the current season.

The average 14 spot market price of Middling 1-inch cotton in November was 30.19 cents a pound. This compares with 30.22 cents per pound for October and was about 1.42 cents per pound below the 1959 average. By December 12 the price had declined to 30.15 cents per pound. At 26.92 cents per pound, the Choice B support level at the 14 spot markets for the 1960-61 marketing year was 1.77 cents below the average support level in 1959-60. The average price received by farmers for upland cotton in mid-November was 30.06 cents per pound, compared with 31.55 cents in the preceding month, and 30.86 cents in mid-November 1959.

WOOL

World wool prices turned upward in November after declining during the previous two months. Demand continues relatively strong for the heavy offerings despite lower mill use in the major manufacturing countries; prices in most world markets can be expected to remain relatively stable in the next few months.

The average mid-month price received by domestic growers for shorn wool in November was 39.0 cents a pound, grease basis, down slightly from the previous month and the lowest since March 1959. During the past month, sales activity for domestic wools has increased with a slight firming of prices. Trade sources indicate that only a relatively small quantity of domestic wool remains in producer hands. In view of this, there will be very limited sales of wool between now and the time the new clip comes into the market in the spring. Contract buying of next year's clip can be expected, especially of the medium wools which have been in greater demand.

The Commonwealth Economic Committee has estimated the third quarter raw wool consumption in the 10 chief wool manufacturing countries at 466 million pounds, clean basis. This is 10 percent less than the second quarter of 1960 and 3 percent less than the third quarter of 1959. Usage was down in the third quarter in all countries except West Germany and the Netherlands. The largest decreases in usage occurred in France, the United Kingdom, Italy and Sweden. During January-September 1960, consumption in these 10 countries is estimated at 1,515 million pounds, 5 percent more than the same period a year earlier. France, Japan and Italy show significant increases compared with a year ago. Only the United States, the United Kingdom, and the Netherlands of these 10 countries show less use during the first 9 months of 1960.

The Foreign Agricultural Service has revised the estimated 1960-61 world wool production to 5,555 million pounds, grease basis, down from their earlier estimate of 5,625 million pounds. This is less than 1 percent under the record output of 1959-60. World production in 1960-61 is estimated to have a clean equivalent of 3,195 million pounds. Among the 5 major surplus producing countries, Australia, the Union of South Africa and Argentina show decreases, while increases are expected in New Zealand and Uruguay. Although increased output is continuing in the Communist Bloc countries, it is at a slower rate than indicated earlier. Less production is expected in the United Kingdom, West Germany, Iran and Syria while all other countries are expected to be the same or to increase.

U. S. mill consumption of raw wool totaled 345.4 million pounds, clean basis, during January-October 1960 compared with 363.6 million pounds the first 10 months last year. Apparel wool mill use totaled 210.5 million pounds, 5 percent less than a year earlier. Carpet wool use amounted to 134.9 million pounds, 4 percent less.

The seasonally adjusted average weekly rate of apparel wool consumption was 4,581 thousand pounds in October 1960, 4 percent more than in September 1960, but 14 percent less than in October 1959. The average weekly rate of carpet wool use, seasonally adjusted, was 2,869 thousand pounds in October 1960, 1 percent more than the previous month, but 1 percent less than the same month a year earlier.

Imports of dutiable raw wool during January-October 1960 amounted to 63.5 million pounds, clean content, 26 percent less than the first 10 months last

year. Duty-free imports of raw wool during January-October 1960 totaled 135.6 million pounds, 21 percent less than the same period a year earlier. The raw wool equivalent of imports of wool manufactures amounted to 82.9 million pounds, during January-July 1960, 9 percent more than a year earlier. Carpet and rug manufactures increased 34 percent, while those of apparel wool items increased only 4 percent. Among the apparel items, the raw wool content of woven fabrics totaled 22.1 million pounds, 23 percent more than the first 7 months last year and only slightly less than 22.7 million pound total for 1959.

TOBACCO

Burley auction markets opened November 28 and by mid-December the volume marketed was 338 million pounds--averaging 65.7 cents per pound. This was over 4 cents, or 7 percent, higher than the average of the comparable period of last season. Better quality offerings than last year contributed to the higher average. The 1960 crop is being supported at 57.2 cents per pound, the same support level as in the 1959 season. Deliveries for Government loan amounted to less than 1 percent of gross sales through mid-December. The burley crop is estimated at 1 percent less than last year and carryover is down 3 percent from a year ago.

The Virginia fire-cured auction market opened November 28 and through mid-December, prices averaged 40 cents per pound--about 2 cents above the corresponding period last season. The 1960 crop is almost 4 percent below 1959 and carryover is slightly lower than a year ago.

The marketing of the dark air-cured types 35 and 36 (One Sucker and Green River) began December 8 and 12, respectively. Prices for early season sales of type 35 averaged 37 cents per pound and, of type 36, averaged 35½ cents per pound. The type 35 price average was up 2 cents, and the type 36 average was up 1 1/4 cents from a year earlier. The 1960 production of dark air-cured tobacco is about the same as in 1959, but carryover is moderately lower than a year ago.

The Virginia sun-cured tobacco, type 37, auction market opened December 6. Early season prices averaged 38 3/4 cents per pound compared with 34½ cents a year earlier. This year's production is nearly a tenth below last year's but carryover is up a little.

Marketing of the 1960 flue-cured crop is completed and the overall season average price for gross sales (includes resales) was close to 60 cents per pound--about 2 cents higher than last season and a record high. About 52 million pounds went under Government loan--4 percent of the crop.

The 1961 national flue-cured allotment has been set at practically the same level as for the past four years. Farm allotments in nearly all instances will remain unchanged.

The 1961 marketing quotas and acreage allotments for other kinds of tobacco will be announced by February 1.

Cigarette output set a new record in 1960 and cigar output is the largest since the early 1920's. Output of smoking tobacco is close to last year's level but snuff gained a little. Output of chewing tobacco continued its long term decline. Exports of unmanufactured tobacco in calendar 1960 are estimated as being a little higher than in 1959, although about 2 1/2 percent below the 1950-59 average.

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